Flagstar Bank makes big cuts to retail mortgage operation

Former loan advisor said hundreds were let go without warning on Thursday

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Two months after receiving the **Federal Reserve**'s approval to merge with **New York Community Bank,** Michigan-based **Flagstar Bank** made cuts to its retail mortgage operation and laid off hundreds of staffers, according to laid off employees.

"I just got news this morning that the company is scrapping retail outside of where the bank footprint is," a former Flagstar Bank regional manager posted on social media.

A former mortgage underwriter wrote, "Flagstar just laid off everyone, so after 2 1/2 years, I'm back in the job market."

Layoffs occurred on Thursday morning with no warning, according to former employees. Their access to the company's systems, computers, and emails was shut off immediately. The company offered severance payments based on tenure and job position.

"Hundreds of us were told to get on a call this morning at 11:00 AM, and they told us all that they were shutting down the retail division of Flagstar Mortgage," a former loan advisor told HousingWire. "They denied us access immediately after the call, so we could not access our computers or contact information. It came as quite a surprise to all of us."

One loan officer in New England said the cuts affected the entire national retail division, including senior management. They "took 18 months to tell us how great the merger would be on investor calls" only to learn they did "not like the jumbo loan losses, they did not want keep on books from early 2021 closings," he said.

A spokesperson for Flagstar Bank did not respond to a request for comments on Thursday. HousingWire did not find Worker Adjustment and Retraining Notification (WARN) related to the layoffs.

Flagstar, No. 19 among mortgage lenders in America, and New York Community Bank, one of New York City's largest multifamily lenders, announced in April 2021 a $2.6 billion merger deal.

The **Office of the Comptroller of the Currency** approved the merger in late October, followed by the Fed in November.

Flagstar originated $27 billion in mortgages last year, down about 38% year-over-year, according to figures by **Inside Mortgage Finance.** Like its competitors, Flagstar's performance deteriorated as time went on, declining from $8.2 billion from January to March 2022 to $4.1 billion from October to December 2022.

The bank originated $6 billion in the first nine months of 2022 through the retail channel, down 54% year over year, per IMF data. Meanwhile, the wholesale channel reached $17 billion in the same period, down 35%.

Following the OCC's approval for the merger in October, Flagstar said the combined company would operate its mortgage division nationally through 81 retail lending offices in 26 states. The wholesale network had approximately 3,000 third-party originators.

According to the companies, the merger creates one of the largest regional banks in the U.S., operating 395 branches across a nine-state territory, including the Northeast and the Midwest, with exposure to high-growth markets in the Southeast and West Coast.